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13 NOVEMBER 1975

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CHILE:  
TWO YEARS AFTER ALLENDE (U)



DEFENSE INTELLIGENCE AGENCY

# INTELLIGENCE APPRAISAL

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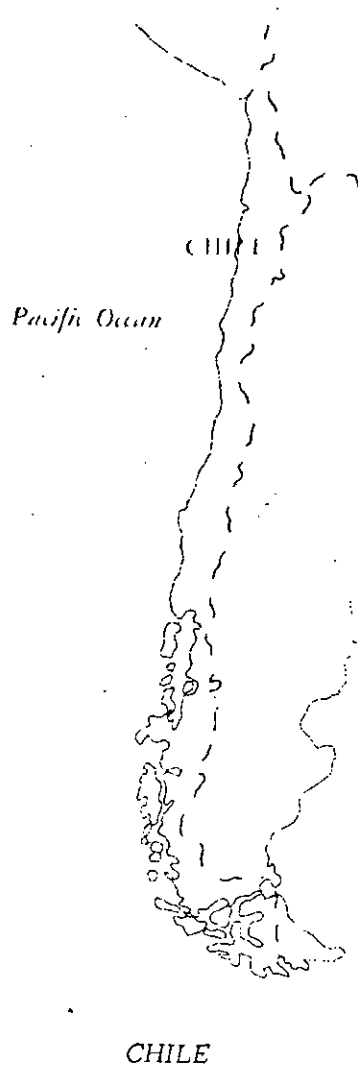
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CHILE: TWO YEARS AFTER ALLENDE (U)

Summary

~~(S/NOFORN/NOINTEL)~~ As the military government of President Augusto Pinochet enters its third year, the country is beset with international and domestic problems. Chile's human rights policies are coming under fire in international forums, but recent legal changes instituted by Santiago may alleviate the worst excesses. The inflation-racked economy is of primary concern as are social costs incurred by austerity programs. Hostilities with Peru are less likely to occur since the two nations have recently engaged in face-to-face talks. The junta seems determined, however, to move the nation ahead toward eventual return to constitutionalism.

~~(S/NOFORN/NOINTEL)~~ The government is confident of support from a majority of Chileans and is anxious to improve its international image. Furthermore, the junta will continue to act as executive and legislature in the near term. Parties may eventually be allowed to function, but politics remains "in recess." Friction in the junta is not sufficient to topple it but may lead to an increased leadership role for Pinochet.

~~(S/NOFORN/NOINTEL)~~ Should the economic situation worsen, however, the government may be forced to make concessions. Furthermore, criticism of Chile will continue until human rights policies are moderated. Should harsh measures be reinstituted, the country's international financial backing will dry up, causing the government to default on its obligations and leading to potential economic and political collapse.

Discussion

Problems Facing Chile

~~(C)~~ President Pinochet's government, coming to power as a result of the coup that removed this hemisphere's only elected Marxist administration from

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office, has faced domestic and foreign pressures from its inception. As the military government completes its second year in office, the problems of a poor international image, restricted domestic political activity, an unhealthy economy, and Peruvian military intentions toward Chile still beset Santiago.



THE JUNTA

Admiral Merino    President Pinochet    General Leigh    General Mendoza

~~(S/NOFORN/NOINTEL)~~ The four-man junta seems ready to move forward at a cautious pace to alleviate its pariah image. Human rights treatment, now that some restrictions in the state of siege have been relaxed, stands a good chance of improving, albeit slowly. Socialist nations are expected, however, to challenge the Pinochet government in the UN; some countries have even proposed expulsion. The move was given more impetus this past summer when the regime refused to allow a UN Human Rights study group into Chile to conduct an investigation of alleged mistreatment of detainees and prisoners. Additionally, a recent leftist campaign to discredit the government has raised the question of the whereabouts of over one-hundred persons who have allegedly "disappeared" while in custody. Only a handful of nations are willing to stand up for Chile.

~~(S/NOFORN/NOINTEL)~~ Political maneuvering to form a viable domestic political opposition has not succeeded so far. The Pinochet government has reiterated its stand that "old" parties are no longer permitted to participate in the governmental process. The Christian Democratic Party (PDC), however, has been vocal in some areas of disagreement over economic policy. A recent series of critical articles

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by former President Eduardo Frei, which appeared in a prominent weekly allied with the PDC, engendered swift rebuttals and prompted Pinochet to remark that politics were "in recess." The incumbent President also stated that he expected to rule for a long time and that destructive criticism would not be tolerated in Chile. Due to these developments, the PDC and the Chilean Socialist Party may attempt to form a coalition of Christian leftists.

(S//NOFORN//~~W~~INTEL) Chile's near-term economic picture is not good, and its plans to remedy deficiencies -- the subject of Frei's criticism -- are temporary expedients at best. The mainstay of the national economic system is the price of copper, which has suffered a decline in the world market during the past year. The debts incurred by the inept economic management of the Allende government continue to plague the Pinochet regime, inflationary pressures are great, and the austerity program initiated to alleviate the latter has taken its toll in increased unemployment and income reductions among minimum-wage earners. Many creditor nations are unwilling to increase economic ties with Chile, fearing reaction from world opinion. The Pinochet government is complicating the situation by underplaying inflation and unemployment in its public statements.

(S//NOFORN//~~W~~INTEL) The question of hostilities with Peru seems less urgent than at any time since the junta came to power. While the Chileans have not been able to equip their armed forces to counter Peru's numerical and firepower advantages, the recent removal of Peruvian President Velasco is seen as a positive sign that the new government in Lima will be more willing to talk than fight. One potentially contentious issue is landlocked Bolivia's desire to obtain access to the Pacific Ocean. A 1929 treaty between Chile and Peru asserts that no changes in Bolivian access rights will be made without consent of the signatories and refers the final arbitration of any border disputes to the President of the US.

(S) Lastly, only moderate terrorism has occurred in Chile since the fall of President Allende. This lack of internal-security problems combined with overall popular support for junta policies allow the regime a free hand in policymaking and increase chances

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for a return to constitutionalism. Should the economic efforts of President Pinochet show signs of succeeding, popular support will become even more broad-based. In all, it seems likely that the majority of Chileans, mindful of the disastrous Allende years and the attendant civil strife, will continue to support the junta as the only means available to correct the nation's myriad problems.

#### Human Rights

~~(S/NOFORN/NNINTBL)~~ After two years of martial law and a continuous state of siege, signs of a relaxation in internal-security procedures are appearing. Even though the Pinochet government had announced on the first anniversary of the Allende ouster the elimination of the "State of War," which it had declared upon the assumption of power, two decree laws issued a year ago effectively upgraded the state of siege to martial law. The move, probably designed to give Chileans a glimpse of a return to a normal way of life, nonetheless paved the way for the changes which were recently announced on the second anniversary. The government declared a reduction in the state of siege from the second to the third states, which in effect abolished military tribunals for judicial review of most civilian crimes. The legal consequence is considered minor, however, since serious crimes of a political nature will be dealt with as before. A public release of 13 former officials of the Allende regime was also made. Five other officials, however, will remain in custody. More than half of the political detainees and prisoners, whom Chile acknowledges, are to be released providing they are granted asylum elsewhere. Reportedly, the government will continue to hold about 250 members of the Movement of the Revolutionary Left.

~~(S/NOFORN/NNINTBL)~~ Chile admits to having some 1,400 prisoners awaiting trial and about 2,100 currently serving sentences subject to appeal. Approximately 600 persons are reportedly being held under martial law provisions, about 200 of whom are awaiting asylum.

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~~(S/NOFORN/WMINTEL)~~ The image presented by the reduced state of siege, however, is often at odds with reality. Detentions occur almost daily. Opponents of the Pinochet government have published lists of 119 extremists who have allegedly died while in custody; the government is presently investigating the charges. Detractors claim the regime consistently underestimates the number of political prisoners it holds, and they publish lists of other persons whom they claim Santiago has not counted. Additionally, the government has recently conducted raids at the University of Chile, claiming to have acted to prevent planned protests against university policies. According to the Minister of Education, other universities are likely targets for what the regime considers Marxist activity. Organized labor, the base for most of Allende's Marxist support, has also been the target of government surveillance and unrest.

#### Domestic Politics

~~(S/NOFORN/WMINTEL)~~ After having tested the limits of permissible dissent, the PDC appears to be the object of increased governmental surveillance. President Pinochet, in a release made by the Ministry of the Interior, effectively cut the party off from participation in the running of the government. The Ministry announced that charges of illegal activity might be lodged against the PDC. The statement reiterated the Pinochet stance that all "old" parties were of very limited value to Chile as parties and that new ones would have to be created to meet the country's present and future needs.

~~(S/NOFORN/WMINTEL)~~ Furthermore, at least five PDC party members were detained in the northern port city of Antofagasta in early September. The government allegedly reported that they were apprehended for "breaking the political recess." PDC leaders claimed that the activities engaged in could be construed as meeting that charge but that families of the detainees had not been informed of the charges within the 48-hour period prescribed by law. The PDC leadership probably perceives that the threat of dissolution, which loomed large during the period of criticism by former President Frei, has passed but that a drive is being mounted to attack its grass-roots membership. Additionally, Chilean courts have been

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reluctant to enter the cases where prisoners are detained under provisions of the state of siege. The strong international reputations enjoyed by the PDC and former President Frei would work against an outright dissolution of the party except under grave conditions. Frei reportedly is marking time until he can safely make open criticisms of the Pinochet regime. He allegedly sees a future cooperative arrangement between governmental forces and moderate parties such as his own.

~~(C)~~ Other parties have not engaged in sparring matches with the government to date, but they have maintained a token apparatus in anticipation of a return to party politics. The right-wing National Party openly supports the junta, as do other splinter groups.

### The Economy

~~(S/NOFORN/WMINTTEL)~~ Rampant inflation and general economic stagnation are twin problems facing the Pinochet government. The annual rate of inflation, calculated in 1975 dollars, is thought to exceed 216 percent, down from the 1974 annual rate of 376 percent and the 1973 annual rate of 650 percent reached under Allende. Unemployment still ranges between 15 and 20 percent, although no accurate count has been made outside Santiago itself.

~~(S/NOFORN/WMINTTEL)~~ Chile's balance of payment deficit stands at \$522 million this year, and the softening in world copper prices could nudge that figure even higher. The danger of Chile defaulting on its indebtedness continues to be of major concern among the country's potential and actual creditors.



Jorge Cauas

~~(C)~~ President Pinochet has admittedly done well considering the economic shambles he inherited from the Allende government. His apparent satisfaction with the program was demonstrated in his almost total disregard for the subject in his second anniversary request to Congress. The administration's plan to revive the sagging economy and Pinochet's appointment of a "Super Minister" to oversee the plan were lauded by

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many political leaders last spring. The tendency of spokesmen, including Super Minister Jorge Cauas himself, to promise quick results from an austerity program, however, did not enhance the credibility of governmental economic policy. Working solely within traditional fiscal guidelines, the junta has been determined not to pursue more radical measures, such as more direct intervention in the marketplace.

~~(S/NOFORN/NOINTEL)~~ The regime apparently believes the economic situation is going to deteriorate further before recovering, as promised by the economists from the outset, but sees no alternative to a continuation of present policies. One junta member, Air Force Commander Gen Gustavo Leigh, recently stated that the government's Economic Recovery Program may have incurred more social costs than expected, necessitating corrective measures.

~~(C)~~ While the Chileans would like to have inflation reduced considerably -- perhaps down to 60 percent per annum -- they realize the numerous pitfalls involved. The issue of the country's eligibility for international financial assistance will remain contentious as long as the ruling junta is criticized for domestic policies, especially on human rights.

#### Chile in the UN

~~(S/NOFORN/NOINTEL)~~ The extent of anti-Chile sentiment among UN General Assembly members is difficult to measure, but the Pinochet administration is not sitting idly by watching the proceedings. Chile is being openly criticized for its refusal to allow the Human Rights Commission to visit the country earlier this year. Consequently, Santiago has dispatched emissaries to the Middle East and Africa to bolster its position among delegates. Additionally, the junta has apparently decided to conduct a counterattack on the human rights policies of both Cuba and the USSR during the General

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Assembly session. Given the heavy weighting of the Assembly with Third World nations, a concerted campaign by Chile's adversaries to paint the Pinochet regime as reactionary, racist, or dictatorial might succeed in having the country sanctioned by that body.

#### Relations with Peru

~~(S/NOFORN/NOCONTRACT/NOINTEL)~~ Chile seems wary of Peru's intentions even though the latter's new administration appears to be more moderate than its predecessor. A pragmatic approach to the problem of Bolivia's desire to obtain direct access to the Pacific Ocean has been recently evidenced by Chilean leaders, however. Resolution of this issue would remove a major obstacle in the path of Chilean-Peruvian rapprochement, although warm relations are still in the distant future. Nonetheless, the centenary of the loss of valuable Peruvian territory to Chile in the War of the Pacific (1879 to 1883) is approaching and may yet goad Peruvian military decisionmakers to move against Chile should Santiago be perceived as incapable of mustering adequate defenses.

~~(S/NOFORN/NOINTEL)~~ Chile probably remains concerned that Peru would have the full support of the USSR and Cuba in a campaign against the Pinochet government to regain lost territory. It seems unlikely, however, that Chile feels confident enough to initiate hostilities. Rather, Chile may be intent on assessing the cohesiveness of the new Peruvian administration in adopting an offensive posture toward Santiago. Peru's objectives are geographically limited, their soldiers inexperienced, and equipment untried. If Lima should decide to invade Chile, the Peruvians would probably advance only slightly south of the strategic Arica area -- a small part of the territory lost during the 1800s.

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~~(S/NOFORN/NOCONTRACT/NOINTEL)~~ To date, Chile has been unable to acquire sophisticated equipment to match the Peruvian arsenal. Santiago, however, has made some small arms purchases, but resistance to Chile's image has probably discouraged major deliveries. Arms procurement by Chile will, therefore, benefit by an improvement in the Pinochet regime's image.

#### Outlook

~~(C)~~ The government of the junta headed by Gen Pinochet will likely remain in office for at least another year. There is virtually no organized opposition to the junta in Chile. Political parties fear that overt criticism by them would likely lead to their extinction at the hands of the government, media representatives know they face detention for breaking the "rules" of political commentary, and leftist guerrillas have been all but eliminated.

~~(S/NOFORN)~~ President Pinochet, however, has offered to make a concession to the political parties. In his second anniversary speech, he called for creation of a "Council of State," composed of former Chief Executives and other leaders to advise the junta on major questions. Supposedly, former President Frei would be a member of this group. The amount of access the group will have to junta policymaking remains to be seen and may be minimal, since the junta feels it has broad-based popular support.

~~(C/NOFORN)~~ The opposition PDC retains a slight advantage over Chile's other political parties since it continues to have a favorable international reputation. Its chief spokesman, Eduardo Frei, likewise, is held in high regard outside Chile and can probe the limits of permissible dissent. However, the PDC as well as other parties know that the junta has declared "politics in recess" for an indefinite period and will probably maintain a low profile.

~~(S/NOFORN/NOINTEL)~~ The President faces mild disagreement on policy from within the junta. The most frequent critic has been Air Force Commander

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Gen Leigh. He faults conservative civilian advisers who have influenced Pinochet to make decisions like the one to refuse the UN Human Rights Study Group entrance into Chile. There is a concern among some junta members that Pinochet, who has declared himself Constitutional President, views the junta as so much excess baggage and may consider its dissolution or neutralization. Concern has also been raised that Pinochet rules almost single-handedly because he has on occasion acted on policy matters without consulting other junta members.

~~(S/NOFORN/WHINTEL)~~ The friction between Gen Leigh and Pinochet has not reached coup proportions. An 11 September interview with Leigh, which was published in the LONDON TIMES, indirectly criticized the junta's policy on human rights. Pinochet yielded to demands that the second anniversary celebration be less "fascist" in tone and that Leigh's wishes for protocol be honored.

~~(C)~~ The continuance in office of the Pinochet administration seems assured for the near term. The major problems facing Chile -- economic policy decisions, human rights restrictions, and improvement in its international image -- are probably more numerous now than a year ago. The first signs of an easing in inflationary pressure, however, have begun to surface, although the required austerity measures have taken their toll in social costs. Whether the lifting of the state of siege and other relaxations of internal-security procedure were accomplished merely as a facade to celebrate the anniversary remains to be seen. Until Chile can rightfully shake off its pariah image, however, the Pinochet government will be the target of continuing international condemnation.

~~(C/NOFORN)~~ The third year, which began 11 September, sees Chile in the midst of a severe economic recession. No amount of rhetoric on the future of the country and the evils of the past will assuage that fact. Even though the Chilean people chose order over chaos, they are likely to react negatively to

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the continuance of economic hardship. The degree of discontent will ultimately determine the reactions of the junta. An organized revolt among the populace is considered unlikely, but dissidents could manage a few sporadic incidents to make their point. The more likely alternative would be governmental policy changes to allow more freedom in the political sphere as the economy improves. For the next few months, no change in junta policy or a threat which would affect its tenure is foreseen. (XGDS-2 Declassify upon notification of originator)

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DIN-2C (5)	CINCPACAF
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